LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6512
BILL NUMBER: SB 285

NOTE PREPARED: Jan 17, 2007
BILL AMENDED:

SUBJECT: Legislative Pensions.

FIRST AUTHOR: Sen. Kenley
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill:

(1) establishes the state's annual contribution for a participant in the Legislators' Defined Contribution plan as a percentage of the participant's salary;

(2) requires the board of trustees of the Public Employees' Retirement Fund (PERF) to determine the percentage annually;

(3) requires the Budget Agency to confirm the percentage determined by the PERF Board;

(4) requires that the percentage be determined using: (A) the state's employer contribution rate to fund the pension portion of the retirement benefit for state employees who are members of PERF; and (B) the rate at which the state makes contributions to annuity savings accounts on behalf of state employees who are members of PERF;

(5) provides that the percentage may not exceed the state's total employer contribution rate for state employees who are members of PERF; and

(6) repeals a provision establishing the state's annual contribution for a participant in the Legislators' Defined Contribution plan as 20% of the participant's annual salary.

Effective Date: July 1, 2007.

Explanation of State Expenditures: This legislation repeals the provision establishing the state's annual contribution for a participant in the Legislators' Defined Contribution Plan as 20% of the participant's salary, effective July 1, 2007. The bill would then establish the state's annual contribution to be the sum of the state's employer contribution rate to fund the pension portion of PERF benefits and the rate at which the state makes contributions to annuity savings accounts on behalf of state employees who are members of PERF.

Since the state's employer contribution rate to fund the pension portion of PERF benefits is to be 6.3%, effective July 1, 2007, and the rate at which the state makes contributions to annuity savings accounts on behalf of state employees who are members of PERF is 3%, this legislation would result in a cost savings of 10.7% of the total salary of the participants of the Legislators' Defined Contribution Plan (20% minus 6.3% minus 3%). Since total salary is estimated to be approximately $5.4 M, the estimated cost savings is about $578,000 annually (10.7% times $5.4 M). The fund affected is the state General Fund.

The bill also redefines a legislator's salary for purposes of contributions to the plan. If this redefinition results in total salary in excess of the estimated $5.4 M, then the cost savings would be reduced by 9.3% of the additional total salary. (For example, if the redefinition results in a total salary of $5.6 M rather than $5.4 M, then cost savings would be reduced by approximately $19,000 from that reported above. Under this scenario total cost savings would be about $559,000.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: General Assembly; Board of Trustees of the Public Employees' Retirement Fund; State Budget Agency.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.